

**STATEMENT OF SECRETARY MICHAEL CHERTOFF
U.S. DEPARTMENT OF HOMELAND SECURITY
BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON GOVERNMENT REFORM**

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INTRODUCTION

Mr. Chairman, Ranking Member Waxman, and Members of the Committee:

Thank you for the opportunity to address you today, and for your ongoing support of the Department of Homeland Security's efforts to keep America secure and free.

I am honored and pleased to appear before the Government Reform Committee. This is my first appearance before the Committee as Secretary of the Department of Homeland Security, and I look forward to a productive exchange as the Department begins to reassess and readjust priorities and policies in accordance with the changing threat of terrorism over three and a half years after the September 11, 2001, attacks.

For more than two years now, the Department of Homeland Security (DHS) has led a national effort to protect our country and its citizens from all manner of threats. It has been an honor to join the dedicated men and women who carry out this task daily. Ours is a difficult mission – to prevent another deadly and catastrophic terrorist attack such as the one we experienced on September 11, and if an attack occurs, to respond quickly and prevent further damage.

The 180,000-plus people of the Department carry out this mission with unflinching resolve and a driving determination that such an attack should never occur on American soil again. Realizing that we can make no guarantees, we pursue our mission

with a sense of urgency and daily diligence, so that this nation can respond and recover quickly, should an incident or attack occur.

Since its establishment just over two years ago, DHS has made great strides in its efforts to unify the defense of our homeland. We have continued to integrate 22 distinct agencies and bureaus, each with its own employees, mission and culture.

But our security requires even greater coordination and effort throughout the Department, across all levels of government, and throughout our nation to create synergy and new capabilities. It requires an unwillingness to accept complacency as part of anything we do; rather, we know we must apply all effort to tear down stove-pipes and coordinate key intelligence, policy, and operational issues across DHS and the government.

SECOND STAGE REVIEW

I have therefore initiated a comprehensive review of the organization, operations and policies of the Department as a whole. This comprehensive review is examining what we are doing and what we need to do without regard to component structures and programmatic categories.

We want to understand better what's working and what isn't. We are evaluating every element of our working mission and making sure that the Department is best organized to meet the threats – both current and future – that face our nation.

Old categories, old jurisdictions, old turf will not define our objectives or the measure of our achievements because bureaucratic structures and categories exist to serve our mission, not to drive it.

Deputy Secretary Michael Jackson was charged with overseeing this process. The goal of the review is to help me make informed decisions as I lead the Department.

Deputy Secretary Jackson selected teams of Department officials to look at a number of critical cross-cutting issues and determine how departmental resources and programs can be most effectively applied to achieve our security goals.

What does the review cover? Take an issue such as maritime cargo security, which cuts across several departmental components. Customs and Border Protection, Coast Guard, Science and Technology, Information Analysis and Infrastructure Protection, Immigration and Customs Enforcement, and the Transportation Security Administration each address aspects of this overall mission. Each might perform its element well, but we must go further to ensure that each is performing seamlessly and in coordination with the others, that we eliminate any duplication of effort, and that we reap the full strength of our wide spectrum of capabilities.

Of course, in executing the initial phase of putting the Department together and integrating the different components into a working structure, my predecessor and the men and women of Homeland Security did a tremendous job. They should be commended.

Now, as we enter into the second phase of the Department's life, we must also take a fresh, creative look at the Department itself – including its organization, its operations, and its policies. We are not yet fully integrated and our entities are still not always coordinated with each other. Now the challenge is to take the advantage of two years' experience and evaluate the Department to see if there are potential structural and

operational changes that will improve and enhance our capabilities to protect and safeguard this nation.

CROSS-CUTTING FUNCTIONS AND INTEGRATION

On the most basic level, we need to take a step back and focus on the fundamental question: Why was the Department of Homeland Security created? It was not created merely to bring together different agencies under a single tent. It was created to enable these agencies to secure the homeland through joint, coordinated action. Our challenge is to realize that goal to the greatest extent possible.

Let me tell you about three areas where I plan to focus our efforts to achieve that goal. First, we need to operate under a common picture of the threats that we are facing from terrorism and natural disasters. Second, we need to respond actively to these threats with the appropriate policies. Third, we need to execute our various component operations in a unified manner so that when we assess the intelligence and we have decided upon the proper policies, we can carry out our mission in a way that is coordinated across the board.

My intent is to integrate each of these three areas -- intelligence, policy, and operations -- across the Department, so that each is directed from the most senior level of the Department.

Let me turn to intelligence. Intelligence plays a pivotal role in mapping our mission. When the Department was created, 22 separate and distinct entities were woven together, a number of which had components focused on intelligence-gathering and analysis. One of my top priorities is to make sure that these various intelligence

components function as a cohesive unit, and that our information and analysis is coordinated across the Department so that DHS, as a full member, can enhance its contribution to the Intelligence Community.

First, we must organize and combine all intelligence within DHS. To do this effectively, we must ensure that our own intelligence components are interoperable. The Department has already made progress in this area. For example, the Homeland Security Operations Center was stood up to help the Department develop a common operating picture and facilitate information sharing. We must make sure that we are gathering all relevant information from the field, communicating with each other, and approaching analysis with a mission-oriented focus.

Second, we must make sure that information is being disseminated both up and down the ranks of the Department. Strong and effective coordination does not just mean that our analysts at DHS headquarters are working together. We need to fuse and exploit all the information that we learn across the country, so that when a Border Patrol agent in Texas learns of a new alien smuggling method, that information is fed up to our intelligence analysts, incorporated where appropriate into our strategy to combat smuggling, and disseminated across the Department to others focused on the same problem. We must build a culture in which the disparate pieces of information are being transmitted to our analysts so that they, who have the benefit of the fuller picture, can properly analyze all of our information and inform our decision-making.

The converse must be true when our intelligence analysts learn of new vulnerabilities that terrorists are trying to exploit. That same agent in Texas needs to know, on a timely basis, of the threat and what (s)he should be looking out for. We have

a great many talented individuals at the Department. Some gather and analyze intelligence. Others learn critical information as they are in the field performing their jobs. DHS needs to bring all of these nuggets of information together and disseminate them appropriately. We need to have the structure and the correct systems and technologies in place to take full advantage of them.

Third, our focus must extend beyond the Department itself. We must review and make use of intelligence coming from the Intelligence Community and we must play an active role in providing intelligence information to the Intelligence Community. As the Weapons of Mass Destruction Commission made clear in its report, sharing information across the Federal Government is critical if we are to succeed. To that end, I am committed to making sure that our law enforcement and intelligence partners across the Federal Government have appropriate access to the Department's information and analysis, to the maximum extent possible under the law, while protecting the privacy rights and civil liberties of Americans. By the same token, we must sit as full partners at the table with full access to others in the Intelligence Community. I will work closely with the Director of National Intelligence, whose job is to make sure that the Intelligence Community is well-coordinated and mission-focused.

In addition, intelligence and information from other Federal agencies is critical to our efforts to secure the homeland. The development of the terrorism information sharing environment, as called for under the Intelligence Reform and Terrorism Prevention Act, will connect the resources (people, systems, databases, and information) of Federal, state, and local governments, and the private sector allowing users to share information and improve collaboration. The information sharing environment will

greatly improve our capabilities and the Department will play a critical role in its development.

Finally, we must inform and communicate with our state, local, tribal entities, and private sector partners. As I observed during the recent TOPOFF exercises, when it comes to securing the nation, we must ensure that these entities are well-equipped both to react to crisis and to prevent it. As part of this effort, we must improve our ability to operationalize intelligence. As information comes in, we need to make sure it is getting out to the right people and in a way that they can use to strengthen their efforts and contribute effectively to ours. Intelligence in a vacuum is meaningless. We need to explain how our outside partners can counter that threat and what we need them to do to watch out for it.

Now, let me address policy development. Development and coordination of policy are major responsibilities of this Department. The Department has the central mission of securing the homeland, but there are many different aspects of that mission with numerous contributors. Large elements of DHS include traditional operational functions in which we deploy personnel, equipment, planes, ships and vehicles. But other elements principally involve planning, rule making, and networking with state, local, and tribal entities, and private parties. All of these must serve and promote our homeland security imperatives.

Therefore, we need to further enhance our capability to think through broad and over-arching issues like border security, emergency preparedness, transportation security, and cargo security, and ensuring adequate private sector investment in the security and resiliency of critical infrastructure assets; all of these issues require a Department-wide

perspective, rather than just through the lenses of one particular component. We need to develop our policies by first looking at our missions and asking the comprehensive, result-oriented questions, rather than by looking to one particular entity that has the lead in driving an issue to conclusion.

Accordingly, I believe that we should pull together the vast expertise and the varying perspectives already at the Department as we work toward integrating our many cross-cutting functions. For this reason, one of the areas that we are closely studying in the Second Stage Review is the advisability of creating a department-wide policy office. This office will also be a very important focal point for coordinating DHS's policy work with other Federal, state, local, and tribal entities.

Finally, let me discuss operational coordination. Just as with intelligence and policy, we need to find new ways to increase our operational coordination. Diverse operational components were woven together when Congress stood up the Department, each with its own history and identity. As I have become acquainted with these various components, I have quickly learned that there is a great deal of talent within them. Each entity has its own unique focus, but often they address the same mission from differing perspectives. However, we cannot function as a cohesive unit, unless each operational component works together to promote common missions.

This means that our operations must be driven by mission-oriented plans. It can no longer be the case that different components tackle different problems, each in its own way, and then later look to see if the pieces fit together. Whether it is preventing a potential act of terrorism, emergency preparedness, border protection, or countering a

particular threat, we must first define the mission and second deploy all the tools within the Department to effectively execute each operation.

The Department has already begun this process. To take but one example, on the Southwest border, we have a cross-cutting initiative to protect the border, integrating intelligence gathering, border enforcement, and monitoring. It encompasses the efforts of several of our agencies, including Customs and Border Protection, Immigration and Customs Enforcement, Science and Technology, the Coast Guard, and Information Analysis and Infrastructure Protection. Each plays an integral role. The operations themselves involve patrolling the border, generating information, and using it to take enforcement actions. The uniqueness of the Department of Homeland Security is that we have the capability within one department to do all of these things. But we need to carry out joint operational activities and have a joint perspective on a routine basis, not only when we stand up a special project.

Operations are also the mechanisms by which we respond to crisis. We cannot wait for a crisis, however, to learn, for example, whether Transportation Security Administration (TSA) has the capability to communicate effectively and coordinate with Federal Emergency Management Agency (FEMA). Nor can we learn in crisis that both are conducting the same operations or sending different messages to the private sector. The Department has made significant progress in this area. For example, it developed the National Response Plan to more effectively map out how to handle crisis situations. Now is the time to organize around missions rather than old bureaucracies, work through all of these potential disconnects in our systems, and operate as one unified Department, but integrating ourselves cohesively is not enough.

RISK-BASED APPROACH

I have been saying, and you will continue to hear me say, that we need to adopt a risk-based approach in both our operations and our philosophy. America is dynamic. Our strength as Americans is the sum of every generation that has ever been born in or immigrated to this great land. Our wealth and livelihoods are advanced by the inspired ideas and innovation of our own people. We prosper through the vast opportunities that exist to interact with the global economic community.

Risk management is fundamental to managing the threat, while retaining our quality of life and living in freedom. Risk management must guide our decision-making as we examine how we can best organize to prevent, respond and recover from an attack. We need to be realistic in our prioritization. We must assess the full spectrum of threats and vulnerabilities.

We all live with a certain amount of risk. That means that we tolerate that something bad can happen; we adjust our lives based on probability; and we take reasonable precautions.

So, too, we must manage risk at the homeland security level. That means developing plans and allocating resources in a way that balances security and freedom when calculating risks and implementing protections. The improvements in the coordination and dissemination of the information that I mentioned earlier will facilitate an effective and efficient risk management process.

The most successful way, I believe, to apply this risk-based approach is by using the trio of threat, vulnerability, and consequence as a general model for assessing risk and deciding on the protective measures we undertake.

Here I inject a note of caution because the media and the public often focus principally on threats. Threats are important, but they should not be automatic instigators of action. A terrorist attack on the two-lane bridge down the street from my house is bad, but it has a relatively low consequence compared to an attack on a major metropolitan multi-lane bridge. At the other end of the spectrum, even a remote threat to detonate a nuclear bomb is a high-level priority because of the catastrophic effect.

Each threat must be weighed, therefore, along with consequence and vulnerabilities.

As consequence increases, we respond according to the nature and credibility of the threat and any existing state of vulnerabilities.

Our strategy is, in essence, to manage risk in terms of these three variables – threat, vulnerability, and consequence. We seek to prioritize according to these variables...to fashion a series of preventive and protective steps that increase security at multiple levels.

We must examine the mission and work of all elements of DHS through this template of consequence, vulnerability and threat. Have we fully defined our missions? How far have we gone in carrying them out? What more needs to be done?

The Department is already working with state, local, and private sector partners to further refine the Interim National Preparedness Goal to aid the targeting of resources to where the risk is greatest. There is much that we are doing. DHS agencies, for example,

have provided an unprecedented level of funding and resources since 9/11 to state, local and private sector partners to protect and prepare America's communities and individual citizens. We continue to improve the ways for first responders across the nation to be better equipped, better trained and more capable of communicating across the public safety community. But we must bring even greater focus and discipline to our preparedness mission. We need to take a very substantive look at how we align our preparedness activities and functions. We need to look at how best to configure our organizations, operations, programs and policies so that we can think strategically about preparedness.

What should drive our intelligence, policies, operations, and preparedness plans and the way we are organized is the strategic matrix of threat, vulnerability and consequence. And so, we'll be looking at everything through that prism and adjusting structure, operations and policies to execute this strategy.

MANAGEMENT

When the President laid out his direction and the Congress created the Department of Homeland Security, the expectations were clear that this Department be unlike any other within the federal government. At the core of these expectations was the mandate to develop a model agency for the new century that supports the unified national effort to secure America.

The definition of this 21st century Department is a consolidated and focused organization that seeks to integrate the various resources and efforts across all of America to prevent, protect against and respond to and recover from terrorist attacks that threaten

the American way of life. Inherent in this definition are the characteristics of flexibility, innovation, efficiency and responsiveness – characteristics necessary to provide the highest quality of support service for the men and women on the front lines in the war on terrorism.

The Office of the Under Secretary for Management focuses its efforts on the oversight and integration of the Department's human capital, information technology, financial management, procurement and administrative operations. Today, I would like to talk briefly about two particular areas within the Management arena: Procurement and acquisition and human capital management.

Procurement & Acquisition

Ensuring procurement integrity is one of my highest priorities. Within my first few weeks as Secretary, I met with the Department's Chief Procurement Officer (CPO) and Acting Inspector General (IG) to emphasize my commitment in this area. At that meeting I tasked the IG and CPO to conduct a procurement vulnerabilities assessment. We are currently reviewing the results of that assessment and developing a strategy for implementing the recommendations.

The Department has consolidated acquisition support for the 22 legacy agencies within eight major procurement offices within DHS. Acquisition support for the Science and Technology Directorate (S&T), the Information Analysis and Infrastructure Protection Directorate (IAIP), United States Citizen Immigration Services (USCIS), the Office of State and Local Government Coordination and Preparedness (SLGCP), the Office of the Secretary and the Under Secretary for Management, as well as other headquarters customers, has been consolidated within one major procurement office, the

Office of Procurement Operations (OPO). Within OPO, DHS has established an Information Technology Acquisition Center (ITAC) chartered with leading the effective and efficient acquisition of the billions of dollars of information technology goods and services that the department consumes.

The Department has made remarkable strides in implementing a robust Small Business program, reaching out to our small and disadvantaged business community to ensure they are provided with opportunities to compete for the goods and services needed to satisfy our critical mission.

Much progress has also been made in establishing a single Homeland Security Acquisition Regulation under which all our components operate, helping to merge the cultures of 22 agencies under one program regulation.

In fact, the Department has been recognized by the GAO as a Government leader in strategic sourcing, saving taxpayers millions of dollars by leveraging the buying power of all DHS components.

While much has been accomplished, much remains to be done. We must and will ensure that the integrity of the procurement process becomes the critical measure of our success. We must and will ensure that the necessary resources are provided to conduct properly and effectively department-wide procurement operations and to ensure adequate controls are in place to measure compliance with statute, regulation, policy and sound business acumen.

Human Resource Management

I am committed to developing a culture of integrity, accountability and effectiveness, where each employee is enabled to achieve mission goals and where

excellence is rewarded. The new Human Resource Management system – Max^{HR} – will establish a modern, flexible system for DHS that will allow the Department to attract, retain, and reward the best and the brightest and effectively meet its critical mission.

The Max^{HR} system is mission-centered, performance-focused and based on the principles of merit and fairness embodied in the statutory merit system principles.

There are many anticipated benefits in this new system. For example, the movement to a market-based and performance-based pay system will serve to increase the accountability and results of the DHS workforce and its ability to attract and retain the caliber of talent that Americans deserve in Homeland Security. DHS performance systems will emphasize a greater role for our leaders in ensuring mission and individual goal alignment, while holding individual employees accountable for results and ensuring that compensation decisions are driven by performance. DHS labor relations changes will balance obligations to bargain collectively with the need for additional operational flexibilities to ensure that we are nimble and responsive as an organization.

A major goal of this new system is to unite managers, supervisors and employees in both purpose and effort in order to accomplish the DHS mission. It is expected that the integrated HR system will assure maximum accountability and flexibility by reinforcing high performance, teamwork, commitment to learning and excellence, and facilitating communication and collaboration at all levels of the Department. These types of changes are the hallmark of a contemporary human resources system and are critical for an agency with a mission as important as DHS.

CONCLUSION

Three years ago, Congress and the President took on the enormous undertaking of creating a new Department whose central mission would be to secure the homeland. Under Secretary Ridge's leadership, the entities that now comprise the Department of Homeland Security unified under this overarching goal. As I have become acquainted with the many talented people of the Department, I am impressed by all that they have accomplished thus far. But there is no time to pat ourselves on the back. We must now take it to the next level.

We must move in an expeditious and innovative manner to carry out our important mission. On September 11, 2001, we felt the tragic loss of an infamous attack. We must do everything within our means to keep our great nation safe from another. The Congress has responded by constructing a Department dedicated to this mission. Together, our job is to make sure that the Department accomplishes that mission. As the Department implements the results of our second stage review, organizes around missions, eliminates duplications, and adopts a risk-based approach, we must ensure that we are thinking innovatively how to best exploit our intelligence capabilities, develop policy functions, execute our operational tasks, and implement our long-range preparedness planning.

I thank the Congress for its support, which has been critical in bringing us to this point. I am grateful to be here today to talk about the work we are doing to make America a safer home for us, for our children and generations to come. Thank you for inviting me to appear before you today. I look forward to answering your questions.
